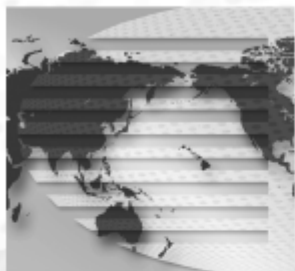




Asia-Pacific Center for Security Studies



SPECIAL ASSESSMENT

FEBRUARY 2005

The Asia-Pacific and the United States 2004–2005

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Philippines and the United States 2004–2005: Defining Maturity

C A R L B A K E R

K E Y F I N D I N G S

- The basis for the U.S.-Philippines relationship has shifted away from external threats to focus on the internal stability of the Philippines. Originally driven by the pursuit of international terrorism, the relationship has subsequently shifted to focus on the local conditions that encourage terrorism.
- The withdrawal of the Philippine military contingent from Iraq in July created a mild disruption in the relationship despite predictions by some of a permanent rupture. The Philippines deflected American criticism by emphasizing its general support for the global war on terror through diplomatic measures and continued collaboration with the U.S. military in fighting terrorism in the Philippines.
- Following the elections in May, the Macapagal-Arroyo administration has focused its energies on an ambitious economic development and institutional reform agenda. The Philippine Defense Reform program, which was developed with extensive U.S. assistance, has become a cornerstone of the government reform effort.
- The Philippines is working to diversify its security interests away from a singular reliance on the United States. To this end, the Philippines is developing stronger security ties with its ASEAN partners to address internal security concerns and it is establishing a bilateral relationship with China to address security concerns over the territorial dispute in the South China Sea.
- U.S.-Philippines relations crossed an important threshold in 2004. With the joint commitment to institutional reform and attacking the roots of terrorism, failure—or the perception of failure—in either effort will cause a re-examination of the mutuality of interests by both sides.

| Report Documentation Page | | | | Form Approved OMB No. 0704-0188 | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|-------------------------------------|-----------------------------------------------------------|-----------------------------------------------------|---------------------------------|
| Public reporting burden for the collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to a penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number. | | | | | |
| 1. REPORT DATE FEB 2005 | | 2. REPORT TYPE | | 3. DATES COVERED 00-00-2005 to 00-00-2005 | |
| 4. TITLE AND SUBTITLE Philippines and the United States 2004-2005: Defining Maturity | | | | 5a. CONTRACT NUMBER | |
| | | | | 5b. GRANT NUMBER | |
| | | | | 5c. PROGRAM ELEMENT NUMBER | |
| 6. AUTHOR(S) | | | | 5d. PROJECT NUMBER | |
| | | | | 5e. TASK NUMBER | |
| | | | | 5f. WORK UNIT NUMBER | |
| 7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) Asia-Pacific Center for Security Studies (APCSS),2058 Maluhia Road ,Honolulu,HI,96815 | | | | 8. PERFORMING ORGANIZATION REPORT NUMBER | |
| 9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES) | | | | 10. SPONSOR/MONITOR'S ACRONYM(S) | |
| | | | | 11. SPONSOR/MONITOR'S REPORT NUMBER(S) | |
| 12. DISTRIBUTION/AVAILABILITY STATEMENT Approved for public release; distribution unlimited | | | | | |
| 13. SUPPLEMENTARY NOTES | | | | | |
| 14. ABSTRACT | | | | | |
| 15. SUBJECT TERMS | | | | | |
| 16. SECURITY CLASSIFICATION OF: | | | 17. LIMITATION OF ABSTRACT Same as Report (SAR) | 18. NUMBER OF PAGES 8 | 19a. NAME OF RESPONSIBLE PERSON |
| a. REPORT unclassified | b. ABSTRACT unclassified | c. THIS PAGE unclassified | | | |

INTRODUCTION

2004 was an important year for the security relationship between the United States and the Philippines. After several years of rapid improvement, a relatively minor event—the decision to withdraw a small Philippine military contingent from Iraq one month early in response to kidnapper threats to kill a Filipino truck driver—became a symbolically defining moment in the relationship. While both countries acknowledged the overall importance of the partnership, the challenge was to frame the stakes as being more than emboldening terrorists versus protecting Philippine citizens. In other words, 2004 was a year that challenged the maturity of the relationship, with both sides examining how its interests were being served while recognizing the potential for a divergence of those interests going forward.

The challenge for the Philippine government was to ensure that the U.S. continued to see a strong relationship with the Philippines as strategically important. The dilemma between saving the life of a Filipino, and potentially others who lived and worked abroad, while remaining strategically significant to the U.S. is symbolic of the general perception in the Philippines of the relationship with the United States. On the one hand, a strong relationship with the U.S. is critical to the well being of the country for a variety of economic, social and political reasons. On the other hand, there is an underlying fear that the security of the Filipino people will be sacrificed for the sake of the relationship.

In 2004 President Gloria Macapagal-Arroyo said she would put the Filipino people first in the equation. That decision was consistent with the approach her administration has taken to the American global war on terror. By emphasizing the Philippine dimension of that war, she has worked to enlist American support for a new domestic economic development and reform agenda focused on underlying causes rather than on the involvement of international terrorists. For Arroyo, this has been driven primarily by the imperatives of political survival. Her message to the U.S. has been that combating terrorism in the Philippines is more nuanced than a “with us or with the terrorists” formulation.

SETTING THE CONTEXT

Following the closure of the U.S. military base at Subic Bay in 1992, Filipinos feared that their country had lost its relevance in U.S. strategic calculations. By 1995 both sides appeared to have lost interest in joint military exercises and military assistance programs that had been the mainstay of the Armed Forces of the Philippines (AFP) during the Cold War.

It was only after the AFP appeared incapable of effectively responding to several provocative maneuvers by the Chinese Navy around the Spratly Island group between 1995 and 1997 that the Ramos administration was able to generate interest in renewing the U.S.-Philippine security relationship. A specific result was the ratification of a new Visiting Forces Agreement in 1999 that laid out the legal basis for treatment of U.S. military personnel visiting the Philippines and a renewed interest in providing coastal defense ships for the AFP. Within a year of ratification, the Balikatan 2000-1 military exercise to improve interoperability was held and the Philippines submitted a request for a joint defense assessment to evaluate how effectively the AFP contributed to regional stability.

The American view of the Philippines took a marked turn in 2001. First, the “people power” movement, which led to the ouster of President Joseph Estrada, highlighted the

fragility of the Philippine government. Second, September 11 refreshed American memories of the 1995 “*Bojinka*” plot to explode a dozen airplanes over the Pacific and other linkages between al-Qaeda operatives and the Philippines.

Between 2001 and the end of 2003 improved relations resulted in the designation of the Philippines as a “major non-NATO ally,” a revitalized military alliance including a new Mutual Logistics Support Agreement and the exchange of state visits in 2003. As promised, there was also a dramatic increase in the amount of military and economic assistance given to the Philippines in the name of waging the war on terror in Southeast Asia, with overall compensation including military training and equipment as well as an economic package of development assistance, trade credits, tariff reductions and debt write-offs estimated at \$4.6 billion.

The joint defense assessment (JDA) originally requested by the Estrada administration in 2000 was revised and couched primarily in terms of an improved capability in fighting terrorism. However, the revised JDA, which was characterized by the Philippine government as the “centerpiece of the aid package” President Bush brought to the Philippines during his October 2003 visit, focused on long-term institutional reform and calls for significant American involvement in monitoring its implementation. Arroyo strongly endorsed the assessment and vowed to make military reform the “cutting edge” in her reform agenda for the entire government.

Renewed American interest in the Philippines after 2001 also led to a series of joint military exercises under the title of Operation Enduring Freedom-Philippines (OEF-P). Characterized as the “second front” of the global war on terror, the initial focus in the Balikatan 2002-1 exercise was on joint military operations against the *Abu Sayyaf* militant group. However, after considerable domestic protest, U.S. forces provided training and worked on social infrastructure projects, while the Philippine forces engaged the *Abu Sayyaf*. With both governments declaring the operation a success in terms of breaking the *Abu Sayyaf* grip in the region, Balikatan exercises in 2002 and 2003 shifted to other regions of the country. Subsequent exercises in regions of Mindanao where the Moro Islamic Liberation Front (MILF) maintain training camps have been carefully orchestrated to avoid any confrontation with American forces focused on building social infrastructure and the military training component scaled back significantly and largely confined to designated AFP training areas. This pattern has seen American interest in external threats shifting to building capacity with oversight and endorsement of AFP operations against the threat to internal stability.

A third area where U.S.-Philippine cooperation emerged was in the way various separatist groups in the Philippines were characterized. In 2002, as the U.S. was rapidly expanding its list of designated foreign terrorist organizations, the Communist Party Philippines/New People’s Army (CPP/NPA), which had refused to negotiate with the government and had been expanding its support base, was added to the list for the first time. Meanwhile, the MILF, which had been shown to have links with the Southeast Asian terrorist group *Jemaah Islamiya* and the *Abu Sayyaf*, was excluded from the list at the request of the Philippine government based on the argument that placing MILF on the list would disrupt ongoing peace negotiations.

There are several ways that the Arroyo administration could view itself as having been successful in managing the relationship. First, by shifting the focus of the security relationship away from external threats to the terrorist threat, the government was able to

pursue economic and security cooperation initiatives with its neighbors without jeopardizing its perception that it was strategically significant in U.S. security calculations. Second, by showing strong rhetorical support for the U.S. war on terror while shifting the local focus away from military operations to civic projects and humanitarian assistance programs in the name of attacking the roots of terrorism, it was able to avoid conflict with those that saw a large American military presence as a threat to their security. Specifically, while avoiding a direct threat to the MILF and NPA, the assistance programs were a direct and immediate benefit to the poor. Third, through its success in securing new equipment for the military, the Arroyo administration helped ensure the loyalty of the military, which had proven to be a critical element in the success of past “people power” movements. In summary, the administration had “matured” the relationship by improving the Philippine government’s capacity to govern.

KEY DEVELOPMENTS IN 2004

The kidnapping of the Filipino truck driver in Iraq drew the world’s attention to U.S.-Philippine relations in July 2004. However, the event did not appear to have any lasting impact on the relationship beyond some strong statements of disappointment by senior U.S. officials. Other developments throughout the year helped confirm the Philippine government’s growing confidence in what officials, responding to the criticism, described as a mature relationship.

Military cooperation

According to the AFP, there were 18 joint military exercises in 2004. The scope ranged in size from small training teams of a few dozen soldiers at a single location to Balikatan 2004-1, which involved a combined force of nearly 5,000, including 2,500 American forces at multiple locations. While conducted under the general rubric of OEF-P, the geographic focus shifted away from regions controlled by MILF and the operational focus shifted to put more emphasis on civic action and humanitarian missions. For example, in Balikatan 2004-1 joint civic action projects were undertaken in various parts of the country while combat-related training activities focused on command and control issues and were limited to sites within AFP military bases.

While the exercises were well received by the AFP and the local beneficiaries of the civic action projects, people in Mindanao remained suspicious of American involvement. The most vocal reaction occurred in Davao City, where a seminar in which 24 U.S. trainers provided a refresher on basic infantry skills and limited medical assistance in two surrounding communities drew open hostility. Ninety-four village leaders responded to a proposal to conduct Balikatan 2005 in the city by signing a manifesto stating that the presence of U.S. troops would “provoke unrest and tension among our local residents,” and the mayor was quoted as saying that the exercises would have “absolutely no direct benefit to the people of Davao City.” This served to confirm the pattern of American involvement in capacity building through training and civic action projects while avoiding combat-related operations.

Reform of the AFP and the Department of National Defense was a major focus of military cooperation. As the amount of equipment being transferred under various military

assistance programs has increased, the U.S. has been actively involved in ensuring proper maintenance and accountability. The result of this cooperation has been a significant improvement in the operational capabilities. Execution of the six-year Philippine Defense Reform program to implement the recommendations from the JDA described above also began in 2004.

A related development was the arrest of Major General Garcia, the former head of Army finance, for “ill gotten” wealth. An interesting connection with the U.S. was that U.S. Customs officials initially provided evidence to the Philippine government regarding Garcia’s unexplained financial activities in the U.S. banking system. When asked during an October interview with a local radio station about the impact this sort of activity would have on future military assistance, U.S. Ambassador Francis Ricciardone stated there would be no adverse affect “provided that the Government... vigorously investigate and follow up and take it wherever it will go, and maintain the confidence of the people and foreign governments like mine...”

Support for the Global War on Terror

Meanwhile, the Arroyo administration has continued to offer support for the American war on terror in the international context. For example, the Philippines was careful to couch its Iraq withdrawal as being driven by domestic demands for the protection of the estimated 1.2 million civilian overseas Filipino workers in the Middle East while assiduously avoiding any criticism of the U.S. presence in Iraq. Immediately following the withdrawal decision, Arroyo said, “despite exaggerated claims by her critics to the contrary, the partnership [with the U.S.] for a better world [was] stronger than ever.” Further, even though she has placed a ban on additional Filipinos entering Iraq, estimates are that well over 4,000 Filipinos remain as service workers on U.S. military installations in the country.

Philippine support for the American war on terror has come in a variety of international forums. As a rotating member of the U.N. Security Council for 2004-2005, the Philippines supported the U.S. on terrorism issues brought before the council. In the Association of Southeast Asian Nations (ASEAN) and the ASEAN Regional Forum the Philippines advocated combating terrorism and took the lead in establishing cooperative arrangements among intelligence and police agencies of ASEAN member countries. Late in the year, Arroyo proposed an Anti-Terrorism Cooperation Agreement between the signatories of the ASEAN-U.S. Joint Declaration to Combat International Terrorism and the members of the Shanghai Cooperation Organization, which would enhance support for the U.S. anti-terror effort within the latter organization. At the November Asia-Pacific Economic Cooperation (APEC) summit, the U.S. nominated the Philippines to become head of APEC’s Anti-Terrorism Task Force. In accepting the position, Arroyo declared, “We want to move forward with President Bush in this war on terror. We want to move forward with the help of America in the quest for peace in Mindanao, and we want to move forward with the help of America for a broader global cooperation on trade and economic issues.”

Relations with the U.S. were also a factor in how the Philippine government dealt with terrorist organizations in the country. First, following the linkage of *Jemaah Islamiya* and *Abu Sayyaf* to several alleged terrorist plots, including the bombing of a ferry boat near Manila Bay that killed over 100 people, there was renewed pressure to add MILF to the U.S. list of designated foreign terrorist organizations, due to its widely acknowledged

ties to those groups. However, the Philippines successfully thwarted this, arguing that it could do great harm to the chance for a peace accord in Mindanao. However, in a surprise to many Philippine analysts, the U.S. kept the CPP/NPA on the list despite an agreement reached earlier in the year between the government and the CPP/NPA that the Arroyo administration would work to have the organization removed from the list as a confidence-building measure.

Meanwhile, the AFP and the Department of National Defense continued to send mixed signals regarding the strength of both the *Abu Sayyaf* and the NPA. On the one hand, AFP Chief of Staff General Abu said the two groups represented a “spent force.” Within a month of that assessment, Secretary of National Defense Cruz declared that internal stability was the most serious threat to the Philippines, specifically citing the growing strength of the NPA. Some critics have argued that the Arroyo administration wants it both ways. Having both groups on the list encourages U.S. support for its economic and institutional reform program, while labeling them a “spent force” keeps the U.S. away from operational involvement, bolsters AFP morale and creates the impression that the government is effectively dealing with internal instability.

REGIONAL INTEGRATION

Another area where developments helped define the relationship with the U.S. was in the ongoing integration of the Philippines into the economic and security architecture of the East Asia region. For example, the Philippines developed cooperative agreements with Malaysia to help monitor the ceasefire and broker a peace agreement with the MILF in Mindanao. Also, as part of ASEAN, the Philippines was part of the free trade agreement between China and ASEAN signed at the ASEAN summit in November. The Philippines also agreed on key aspects of a free trade agreement with Japan, which Arroyo characterized as “a formidable step forward toward liberal, fair trade and for the fight against poverty in our country.”

Perhaps most significantly, bilateral relations between the Philippines and China also saw significant improvement. A state visit by Arroyo in September led to several agreements including an initial agreement that would promote the Philippines as an official tourist destination for China, several economic cooperation agreements that were characterized by Arroyo as being worth one billion dollars to the Philippines, an agreement to move forward with a joint oil exploration project in the Spratlys, and an agreement to improve security cooperation. This commitment was followed by a visit of Chinese military leaders to the Philippines and a visit by Department of National Defense Secretary Cruz to China in November. During his visit agreement was reached to conduct annual security exchanges between the two countries.

These efforts to improve relations with countries in the region are consistent with Arroyo’s so-called “eight realities” of the regional and international environment, which highlight the growing importance of China, Japan and ASEAN as a complement to a close relationship with the U.S. in implementing strategic policy goals of the Philippines. They also served to reduce the concern expressed by some that the Philippines could become trapped within the broader security interests of the U.S. when flexibility may be required in responding to China’s growing influence in the region.

PRESIDENTIAL ELECTIONS AND THE DOMESTIC AGENDA

Arroyo's first priority in early 2004 was the presidential election held in May. Although she was ultimately declared the winner, election violence that claimed nearly 150 lives and the popularity of her opponent Ferdinand Poe, Jr. drew attention to the lack of government control in rural areas and the government's vulnerability to the disaffected Philippine masses. A frequent theme throughout her campaign was that she had been able to greatly increase economic and military assistance from the U.S. in her effort to improve the life of the common Filipino.

The "10 Point Agenda" and "Filipino First Policy" outlined at the beginning of her tenure confirmed the importance of the domestic agenda. These two ambitious programs outline a wide range of economic development initiatives and institutional reform packages, promised by Arroyo to "put people first in an era of change and national renewal." The significance of these programs to the relationship with the U.S. is that they were characterized as attacking the roots of terrorism and acknowledged the need for assistance to achieve full implementation. For example, American assistance with the Philippine Defense Reform program was held up by Arroyo's administration as an example for other government bureaus to follow, and the arrest of Major General Garcia was highlighted as a sign the government was serious about pursuing corruption at the highest levels.

By the end of the year, Foreign Affairs Secretary Romulo predicted even stronger cooperation with the U.S. in 2005. The acceptance of the Philippines in November as threshold country for the Millennium Challenge Account aid program and the additional \$35 million allocation for Philippine counter-terrorism programs from the U.S. Senate were cited as confirmation of the growing confidence in the reform measures being undertaken by Arroyo's government.

Filipinos, meanwhile, remained skeptical and support for the new administration appeared tentative. The Ibon foundation survey showed a steady decline in Arroyo's approval ratings. Between April and December, the percentage of respondents who were satisfied with her performance fell from 25.2 percent to 6.25 percent. One of the principle shortcomings cited was her perceived inability to deal with corruption. Rumors of alleged coup plots by supporters of Joseph Estrada and disaffected military officers swirled; and even after his death, Poe's supporters continued to pursue their challenge to the election results. This apparent lack of confidence, coupled with the memory of past "people power" movements, has probably tempered American enthusiasm to fully embrace Arroyo's programs.

IMPLICATIONS FOR 2005

There are three general conclusions that can be drawn about Philippine-U.S. relations from developments in 2004. First, despite the Philippine government's continued support for war in Iraq, concern for the safety of overseas Filipino workers was the key factor in the decision to limit the involvement of both its military and civilian workers in the coalition. That is, the limits of the Philippines' ability to support the U.S. war effort in Iraq were defined. Second, skepticism about U.S. intentions by some and outright resistance by others precluded any prospect of a more operational role for the U.S. military in combating terrorism in the Philippines. The reaction to the presence of the U.S.

military was especially negative in MILF-dominated areas of Mindanao. Third, the relationship became increasingly focused on the internal stability of the Philippines itself rather than on regional stability. Whether by design or default, the reduction in tensions between the Philippines and China, coupled with the growing dissatisfaction of large segments of Philippine society with economic conditions and corruption, has led to a perception that the government must aggressively act on these issues or be seen as part of the problem, as occurred during the Estrada administration.

From the perspective of the Philippine government, the developments of 2004 have helped define what the Philippines envisions as a mature relationship. That is, rather than being viewed as a place where the U.S. stations military forces to protect its strategic interests or a place where U.S. military forces drive out “foreign terrorists,” the Philippines has sought to establish its relationship with the U.S. in terms of a common interest in establishing a strong, stable democratic ally in Southeast Asia. To that end, Arroyo has laid out an ambitious agenda of economic development and institutional reform that will require a considerable amount of external assistance and is portrayed as attacking the root causes of terrorism.

As the focus has shifted to the issues of internal stability in the Philippines, there are several challenges that will define the U.S.-Philippine relationship going forward. First, and most immediately, the Philippine government will have to demonstrate some initial success in reforming the defense establishment. Given the U.S. involvement in the defense reform initiative, the immediate threat of armed rebellion and the key role the military has played in legitimizing past governments, demonstrating early success will be critical for establishing credibility. Second, as the Philippine government broadens its anti-corruption campaign, it seems inevitable that more of the military elite and some in the political elite will be implicated. With public disenchantment with the government at elevated levels, any perception that the anti-corruption campaign is being used as a means of eliminating political rivals while protecting the powerful could become a source of friction. Third, despite the current accommodation on the approach to the global war on terror in the Philippines, blurring the lines between political dissent and terrorism and shifting assessments of the terrorism threat for political expediency could result in a re-examination of interests. Finally, improving Philippine-China relations could become a source of new tension in relations with the U.S. As the Philippines moves forward with its security dialogue with China, those on all sides that persist on seeing conflict between the U.S. and China as inevitable are certain to raise their voices in concern.

In conclusion, developments in 2004 represent an important transition in U.S.-Philippine relations. Essentially, while the Philippines remains a strong supporter of the U.S. efforts against global terrorism, the focus of the relationship shifted to the internal stability of the Philippine government. The two countries have crossed the threshold into a mature relationship aimed at attacking the roots of terrorism through economic development and political reform. In the end, it is the Philippine government that must lead the way. The best the U.S. can do is encourage and assist within the confines of local realities.